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CIA didn't hear warning bells set off by Rewald, officer says

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There were warning bells ringing all around Ronald Rewald, but the CIA's security clearance office still cleared him to provide "backstop cover" for a "compelling" intelligence project in 1979, the head of the office testified yesterday.

Mitchell Lawrence also acknowledged that his office was not informed when the CIA decided to use Rewald in 1978 to establish an earlier backstop cover, this one in the form of a dummy company with a telex and telephone in Rewald's offices.

This earlier use was also without the background investigation normally required to protect national security, he said.

Lawrence said that with hindsight, it appears he should have heeded some of those warning signals, and he said that the agency is more thorough today.

Lawrence was cross-examined by Deputy Federal Public Defender Brian Tamanaha, who yesterday showed the self-assurance and confidence that marked his handling of the trial until Friday afternoon, when he unexpectedly broke down in tears after being rebuked by the judge for allegedly slighting the court during a debate over a point of law.

Tamanaha's exploration of sloppy security in the CIA opens the way for Rewald to argue that some CIA officials set up Bishop Baldwin Rewald Dillingham & Wong without obtaining required clearances and approvals.

Rewald, on trial on charges of fraud, perjury and tax evasion, admits taking money from investors under false pretenses, but says he did it in the belief the CIA would reimburse him so he could maintain his "cover" as a wealthy businessman.

And Tamanaha raised questions about the accuracy of some information on the documents when he demonstrated that some purportedly prepared in 1979 bore time/date machine stamps exactly a year earlier. Lawrence speculated that a clerk set the machine wrong.

One CIA employee warned emphatically against use of Rewald after discovering that an FBI check revealed his 1976 conviction for theft in a Wisconsin franchise investment case, saying it "may only be the tip of the iceberg."

The other warning signs, Tamanaha brought out, included:

- Rewald's failure to disclose his 1976 conviction to CIA officials.

- Rewald's request that he not be subject to a background investigation.

- Rewald's claim, in his request for a waiver of background investigation, that he worked for the CIA in the 1960s.

- The CIA's own finding that Rewald did not work for the CIA in the 1960s. Instead of rejecting Rewald, Lawrence asked for an "assessment" of Rewald by Honolulu field office chief John Kindschi.

- But the "unusually glowing report" sent back by Kindschi revealed two things that Lawrence admitted should have sounded yet more alarms:

- Kindschi praised Rewald to the skies but was ignorant of Rewald's criminal conviction.

- Kindschi referred to the CIA's use of Rewald in 1978 for an earlier backstop cover role of which the Office of Security had no record.

At the time, Kindschi had an undisclosed and substantial financial relationship with Rewald, having invested in Rewald's Hawaii sporting goods operation.

Despite all those "ringing bells," Lawrence testified, "we had to weigh what we had against the need for Mr. Rewald, and we granted a clearance for this low-level requirement."

There was "low risk" in using Rewald, Lawrence said, but potentially "high gain" from the project.